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The ECONOMIC DIGEST

CONTENTS

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Editorial Announcement

'Significant Trends of the Day'

The decision to hold a General Election during last month has made it inexpedient to begin this feature in the present number of *The Economic Digest*. It will appear as soon as may be practicable, which will probably mean a short delay until a new Government has taken office and the broad lines of policy are known to us.

Our Service to Readers

Questions answered—Sources indicated—Facts checked

Subscribers to THE ECONOMIC DIGEST are invited to submit any questions concerned with economic facts, or to submit their own writings or theses for factual criticisms which, for obvious reasons, cannot be elaborate.

It is possible to present in THE ECONOMIC DIGEST only a small part of the mass of material—reviews, speeches, privately-circulated memoranda, as well as newspapers, journals and books from all over the world—scanned by the Editors and staff every month. Often, however, items which come before their notice would be of great value to specialists, although not of sufficient general interest for presentation in our pages. Since this service was begun, in January, 1949, we have in fact been able to give help to readers in every part of the world, in Government departments, and in the principal universities.

Letters of inquiry should include stamped addressed envelope for reply and should be addressed to The Editors, Reader Service, The Economic Digest, 18 South Street, London, W.1

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Volume III
Number Three

If America would assume Britain's former role of international investor, the dollar shortage would be eased. But the prospects that America will do so, or that it would solve the dollar problem, are not bright

Is American Investment the Answer To the Dollar Problem ?

By E. DEVONS
Manchester University

It is often suggested that many of the difficulties in the economic relations between the new and the old world would disappear and the dollar deficit lose much of its menacing nightmare quality if only the United States would assume the rôle of international investor on a scale comparable with that undertaken by Great Britain in the nineteenth century.

It might be worth while, therefore, to review the extent, nature and importance of foreign investment by England in the period of her leadership in international trade; to assess what "playing a comparable rôle" by the United States would amount to; and to see whether, if the United States were willing to invest on such a scale, the dollar shortage would in fact disappear.

Only the scantiest statistical information is available about the extent of British foreign investment in the first half of the nineteenth century. From 1870 onwards annual estimates are available in C. K. Hobson's "The Export of Capital." These figures ought to be treated only as rough estimates, but are reliable enough for our present purpose. The course of overseas investment from 1870 to 1913 is summarized in the following table:

	Annual Average	Range of Minimum and Maximum Years in the Period
	(£ millions)	
1870-75........	55	26 - 83
1876-80........	—1	—15 - 12
1881-93........	48	17 - 83
1894-1904.....	24	11 - 39
1905-1913.....	143	63 -200

The picture that emerges from these figures is not one of a steady and expanding flow of funds financing development in new countries, but of a highly erratic and fluctuating activity. The bursts of activity were in the early 1870's and the period from 1905 to 1913. The last two years of the latter period, when investment probably exceeded £200 million a year, are often quoted as if they were representative of the pre-1914 era, whereas clearly they were quite exceptional. There were, indeed, a few years in the 'seventies—during the great depression—when Great Britain was actually an impor-

ter of capital, and even during the 1880's and 1890's overseas investment seldom reached the level of the early 1870's.

Income from overseas investment was £44 million in 1870: this mounted steadily to £90 million a year in the 1890's, and to about £200 million in the years immediately before the first world war. As can be seen from the following table, at no time after the early 1870's did Great Britain do more than reinvest the income she was receiving from overseas.

	Average Annual Income from Overseas Investment	Average Annual Capital Exports
	(£ millions)	
1870-75	48	55
1876-80	48	—1
1881-93	75	48
1894-1904	100	24
1905-1913	155	143

In most years Britain was merely reinvesting a part, and often only a small part, of her income from previous investments. This meant that although the United Kingdom increased her foreign investment holdings from about £1,000 million in 1870 to not far short of £4,000 million in 1913, yet throughout this period of over 40 years—which is usually regarded as the classic example of international investment —there was hardly a year in which Great Britain had an export surplus on merchandise and service account. Indeed, since in most years only part of the overseas income was being reinvested, there was usually a substantial deficit on merchandise and service account which was covered by the income not reinvested. Throughout the period Great Britain was importing more in goods and services than she was exporting.

This British experience merely illustrates the essential point, which is so often overlooked, that a capital-exporting country soon finds itself in the position of being able to maintain its investment by reinvesting income. Even if it only does this, it accumulates overseas capital at such a rate that it is forced to develop an import surplus.

The case of a capital-exporting country with a favourable balance of trade for any substantial period of time must, therefore, be regarded as an unusual phenomenon. It is true, of course, that when a country first becomes a capital exporter it must have an export balance; but provided that the overseas investment is not repudiated and yields an income this phase will be a relatively short one, giving place to the more normal position of an import surplus, even though some capital export continues.

It is clearly a mistake to think of the late nineteenth century as a period in which European countries, particularly the United Kingdom, were providing overseas countries with substantial funds to enable them to import more, year by year, in goods and services than they were exporting. On the contrary, we can say with certainty for the period after 1870 that the position of the balance of payments between the capital exporting and importing group of countries was quite the reverse of this.

How important was British overseas investment during this period in relation to her national income and the volume of international trade? In the peak years of investment of 1871-3 overseas investment reached 7 per cent. of the national income and in 1912-13 it was 8 to 9 per cent.; but over the period 1870-1913 as a whole it was only about 4 per cent. In the decade immediately preceding 1914 the average was about 6 per cent.

In considering the relation between international investment and

the volume of international trade account must be taken of capital exports by other European countries, for after 1900 these expanded rapidly. The total rate of international investment in 1913 is estimated to have been probably about £300 million. World exports in 1913 were £3,700 million; this would give approximately 8 per cent. covered by overseas investment. But it must be remembered that foreign investment was at an exceptionally high level in all countries in 1913.

If United States investment overseas covered the same proportion of world trade as was covered by European foreign investment in 1913 it would amount to about £1,000 million a year. If United States foreign investment covered the same proportion of her export trade as United Kingdom foreign investment did in 1913, then it would give roughly the same figure of £1,000 million a year.

It is interesting to relate this figure of £1,000 million, or $4,000 million, a year to the United States balance of payments in 1948 (since we are considering the 1948 position it is appropriate to use the old exchange rate). In that year the rest of the world had to pay the United States $15,600 million for goods and services bought from her. In addition, $1,000 million had on balance to be paid to the United States as income on United States overseas investment. Goods and services sold by the rest of the world to the United States contributed $10,200 million to meeting this bill. Thus even if we assumed overseas capital investment of $4,000 million a year, there would still be a deficit on the 1948 figures of some $2,500 million.

Unless, therefore, the United States were prepared both to invest at this rate and to continue with other forms of aid on a substantial scale, there would still be a large dollar shortage. If we assume $4,000 million of investment but no other form of aid, then the United States foreign payments position could still only be brought into balance either by a reduction of exports or an increase in imports, or a combination of both. If the whole adjustment were met by an increase in imports it would involve an increase of about one-third compared with 1948; if by a curtailment of exports a reduction of about one-fifth.

But this way of looking at the problem should not be regarded as anything more than an amusing arithmetical exercise. For even if the United States were to invest on such a scale it would merely postpone, and postpone only for a relatively short time, the adjustment that has to be made in the balance of payments between the United States and the rest of the world. For if the United States lent on this scale she would soon be in the position of being able to lend the whole amount out of current income on past investment, just as the United Kingdom did after 1870.

Looking Ahead

The United States is already receiving $1,000 million (net) a year income from overseas investment. If she exported capital at the rate of $4,000 million in total and was receiving 5 per cent. interest, then within five years half, and within 15 years the whole, of this investment could be met out of annual income from accumulated investment. Thereafter the United States could invest $4,000 million a year and have an ever-growing income from foreign investment to pay for part of her imports.

By the end of the 15 years, even if investment were still continuing at the rate of $4,000 million a year, the rest of the world would have to sell

more to the United States than it bought from her. And the margin would have to widen as United States overseas income grew year by year. This adjustment could only be avoided if the United States were prepared to invest overseas in ever-increasing volume year by year or to lend without expecting any interest. But it would hardly be appropriate to call this latter process international investment.

Sooner or later, therefore, the adjustment must be made. The rest of the world must either buy less from the United States or sell more to her. Gifts enable us to postpone making the adjustment and by giving us time may make it easier to do so. Loans also give us a breathing space; but, if interest has to be paid, only at the cost of making the eventual adjustment that has to be made even bigger. It is only if we think that international investment by the United States in the next few years will make the eventual adjustment easier, and easier by a margin sufficient to compensate for the bigger adjustment that will have as a consequence to be made, that we should regard such investment as helping towards the solution of the dollar problem.

When looked at in this way the contrast with British international investment in the nineteenth century is most striking. The major part of that investment, especially after 1850, was directed to new countries where the development of previously untapped resources paid big returns in increasing production. An essential element in this development was the migration of population from Europe. It was because the countries concerned possessed vast untapped resources that capital investment was so profitable. It was because labour was moving in from Europe that overseas capital could be used profitably to exploit local resources. And it was because of the rapidly expanding demand of the United Kingdom for food and raw materials that these countries had no great difficulty in finding a market for their increasing production and were able to make interest payments on their overseas debt.

The extent to which British overseas investment was confined to countries in this position can be seen from the following figures of the distribution of British overseas investment in publicly issued securities in 1913:

	£ million	Per cent. of total
Canada and Newfoundland	510	13.6
Australia and New Zealand	420	11.2
United States	750	19.9
Latin America	760	20.2
India and Ceylon	380	10.1
Others	940	25.0
Total	3,760	100.0

Foreign investment in those countries such as India, China, Egypt, and the British colonies, which have been left behind in the economic progress of the last hundred years, raises problems quite different from those involved in the opening up of entirely new countries by British investment in the nineteenth century. Of these one of the most important is that many of the countries now most backward economically have large and rapidly expanding populations in relation both to their natural and capital resources. Although capital investment may substantially increase production, this increase may easily be offset by an equal increase in population.

By contrast, in the newer countries developed by United Kingdom investment in the nineteenth century, a rapidly increasing population was a great advantage because not only capital but also labour was short in relation to the natural resources awaiting exploitation. This pressure

of population may make it difficult for the Governments of these countries to reconcile the conflict between the demand for a rising standard of living at home and the need to increase exports to the extent necessary to pay interest on their overseas borrowing.

Investment by the United States in these areas would have to carry with it an understanding that there must be an expanding market for their products in world trade. And the process of adjustment for these areas and the rest of the world would be easiest if the United States provided this market, through expanding imports, just as Great Britain did in the nineteenth century.

COMMENT by M. A. CAMERON

THE point made in these *Manchester Guardian* articles is absolutely vital to international understanding. The trouble about investment and loans as solutions to the dollar problem is, of course, that unless they are interest-free (when they are gifts, not loans) they very soon create the payments problem all over again, and in a less tractable form, because the lenders are annoyed by the defaults which they themselves are forcing on the borrowers.

It is far more difficult for America to-day than it ever was for Britain to import freely, partly because America is so much more self-sufficient than we ever were or are likely to be. But that does not make investment abroad by America a practicable solution; and in present circumstances, any suggestion that investment is a practicable solution is dishonest and dangerous.

It is not for us to tell America whether she should import more, export less, or give away the surplus; but in all honesty we are bound to point out that investment on which her citizens hope for a direct return is not a solution at all. A clear understanding on this point is vital to good relations in the future and thus to world peace.

They are saying...

R. R. SAKSENA, India's delegate to United Nations

My country could use technical assistance, but is primarily interested in financial assistance. This problem involves efforts by India to attract private foreign investments, but it also requires assurances from lending countries. *U.N. Economic and Employment Commission, Lake Success, Jan.* 25, 1950

The Rt. Hon. ERNEST BEVIN, Foreign Secretary

Since the war the United Kingdom has paid to the Asian countries about £750 million in loans, grants, releases from sterling balances, and unrequited exports of all kinds. This is roughly half of the total sum—£1,500 million—which the United Kingdom has paid out since the war throughout the world in unrequited exports and in help of all kinds from U.N.R.R.A. to aid for Europe.—*Colombo, Jan.* 16, 1950.

R. J. HODGES, Mersey Docks and Harbour Board

The developments of controls and bulk buying and other artificial aids in commerce has resulted in the importation of commodities in greater volume than can be absorbed into consumption or storage.—*Institute of Transport, London, Jan.* 16, 1950.

Sterling Has Become A Drug in the World Market

The world has been flooded with sterling in the form of unrequited exports, and gold or dollar releases. A new policy is needed, aimed at full convertibility

By ROY HARROD
Christ Church, Oxford

THE reason why we are constantly having to pay out large quantities of gold and dollars, both on behalf of other countries and to countries other than the United States and Canada, is that all the time we are flooding the world with claims on us in the form of sterling.

The main part of our gold and dollar deficit arises simply because we have allowed sterling to become a drug on the world market. Sterling claims on us naturally arise when we buy goods, but these are cancelled when we sell goods, and outside the United States and Canada we have been selling more goods than we have bought.

Sterling is a drug on the market because it has been made available through other channels. If we add together the interest on debts that have arisen since 1939, the repayment of those debts and the movement of capital out of Britain, all as shown in Cmd. 7793, for the years 1947, 1948 and the first half of 1949, we get the colossal total of £1,130 millions.

This vast sum represents the accrual of sterling claims to those outside the United Kingdom, over and above sterling claims which they acquire by exporting to us. It is a disbursement for which, during the period in question, we have received nothing in return; it is a disbursement which has had to be financed in total by "unrequited" British exports or gold and dollars.

Outside the dollar area we have a large favourable balance of trade and sterling would be very scarce. If we had not made these great releases we should then find that sterling was just as acceptable as dollars—as of old—to finance our adverse balances with particular countries.

The non-U.K. sterling area has been given so much sterling that it can afford both a huge adverse balance of trade with the U.K. and an adverse balance of trade with countries requiring gold or dollar payments — payments which it finances in part by South African gold and in part by presenting to us its redundant sterling for conversion into gold or dollars.

If the world was not flooded with sterling, by the release of balances and the outflow of capital, sterling outside the dollar area would be an extremely hard currency, the non-U.K. sterling area dollar gap would disappear and we should not have to pay gold and dollars to countries other than the United States and Canada, since those countries would be only too pleased to be paid in sterling for which all the world was clamouring.

Finally we should have a net

From The Financial Times, Feb. 1/2, 1950.

favourable balance in the sterling area (including S.A. gold), which if not as large as that before the war, would at least be a contribution towards the payment of our direct dollar deficit with the United States and Canada.

It is correct that we must have large working balances; their undue drawing down is part of the general problem of the "flight of capital."

The releases from the old balances must be stopped and confidence restored by bringing our whole policy under the control of Parliament. It is said that we cannot act without the consent of our creditors; but we are perfectly entitled to decline to leave the future of these balances an open question any longer.

We are in the happy position of being able to fund them on the most generous terms, while at the same time making a huge reduction in the amount that we are now paying out year by year. We should therefore insist on funding, and freeze the balance of any country which refused to agree, until further notice. The agreement or chain of agreements should then have Parliamentary endorsement, so that no further money could be paid out without an Act of Parliament.

Control by Congress

E.C.A. officials cannot meet the needs of Europe, however urgent and well pleaded, if this would take them outside Congressional appropriation. Treasury and Bank of England officials should be in the same position. It should be impossible for them to agree to any payment without a full debate in Parliament as to its merits.

It has been suggested that the payments that have been made have been justified by the urgent needs of peoples for whom we have some moral responsibility. I make no criticism here of the supply of food to relieve Indian hunger, since the amounts required under this head are a bagatelle in the whole picture. It is quite wrong now for us to let releases be guided by the reconstruction requirements of creditors. Our primary responsibility to those peoples who are juridically or morally dependent upon us is first and foremost to be solvent.

Meeting Urgent Needs

Once we have reached that happy position we shall be able to do more for those who depend on us than we can ever do, however generous in intention, when semi-bankrupt; for once we are solvent, many forces will begin to move in our favour. Meanwhile, if these dependent countries have urgent needs for new equipment, etc., we should help them by supporting their case at the International Bank or through whatever other international machinery exists or may come into existence.

Under the head of interest and repayment of balances, we probably ought to budget for some £100 millions a year, which may be compared with the figure of £452 millions a year that we have been paying out under the three heads enumerated in my previous article.

Next we have to consider the heavy capital outflow over and above the releases of the balances. This is a much more subtle problem, and it is at this point that we come to the parting of the ways.

There are those who have been advocating that we must greatly intensify the controls and treat the movement of capital to the sterling area on the same lines as we have treated its movement to foreign countries. According to this view, we should shut ourselves tightly up in these little islands and struggle

forward with a rigidly controlled economy. There is no doubt that we shall be driven to this, unless we boldly take the opposite line.

It may be that, without doing great damage, we could subject movements of capital to the sterling area to greater scrutiny, and we should also limit the ambition of our own Government agencies which have wildcat schemes. But in the main the solution should be found in an altogether different approach. We should create conditions which would kill the motives that have caused the private outflow of capital from Britain.

Come to Britain

This involves a twofold objective. We must make Britain more attractive for business, and we must make sterling more attractive.

Under the first head we have to make people see good opportunities for the profitable use of capital in the United Kingdom. People of substance will not take money away if they thereby sacrifice what seem to them good prospects of increasing it here at home. It is not as though the rest of the world were seething with profit opportunities; far from it. If they were there, money would be flooding out of the United States to take advantage of them. The poor old International Bank has the greatest difficulty in finding anything to do with its meagre resources.

In fine, the profit potential of British industry must be restored. I need not go over this ground in detail. Tax rates must be reduced so as to enable enterprise to build up its capital more quickly, and the vague fear of nationalization beyond a strictly defined field must be removed. Material controls must be removed, not only because they are inefficient, but because of the uncertainty they introduce in the mind of anyone wishing to start a new line of business, as to whether he will have access to the varying materials he may require from time to time. The limitation of dividends must be removed, not because any great increase of dividends here and now is necessary as an incentive, but because the limitation raises inhibiting doubts in regard to the whole future prospect of profit.

British enterprise must be made more attractive; this is a sovereign remedy for closing the dollar gap. But it does not cover the whole ground. Sterling itself must be made more attractive. I am convinced, in line with British thinking for 150 years, that this can only be done by making sterling convertible.

There is much wrong thinking about this, partly due to our ill-starred attempt in 1947. But then we had an overall adverse balance of trade of £630 million and the sterling balances had not been properly dealt with. We gain scarcely anything and lose much by having sterling inconvertible.

For American Account countries, where lies our heaviest deficit, sterling is at present fully convertible. Sterling is also convertible for the sterling area, our only ultimate influence upon most of its outpayments consisting in our admonitions to the various authorities to be as economical as they can. Thus in these two vast trading areas of the world, the American Account area and the sterling area, sterling is already in effect convertible, but its inconvertibility in the remaining areas entirely destroys confidence in it.

No one wants to hold sterling save for immediate business necessities. The complications entailed by the existence of 18 different kinds of sterling and the uncertainties about the future of each makes sterling a

most unacceptable medium. Meanwhile, inconvertibility has proved to be no protection to our gold reserve which has poured forth. It is ancient British wisdom that the only way to build up a reserve is to make the currency convertible and to use every penny of the reserve, when need be, to sustain that convertibility. The use of a reserve to protect an inconvertible currency is merely pouring money down the drain.

In considering the project of convertibility, we have to attend to three things: (1) the overall balance of trade; (2) the dollar deficit, and (3) the working balances.

(1) Our present unhappy position is that while our overall balance is sufficiently near equilibrium, we have to pay gold and dollars where we have unfavourable balances with particular countries and get soft currencies where we have favourable ones. The main solution of this I have already indicated—namely, to make sterling a thoroughly scarce currency by checking the releases.

Begin with Europe

Further to this, intra-European currency convertibility (which would not be inconsistent with the gold convertibility of any particular European currency) would be a great help. If we came into such a limited scheme and later restored full gold convertibility, we should only be liable to pay gold on the net debit of the sterling area, if any, to Europe as a whole, and not on the sum of the debits of the sterling area to each of the individual European countries (a much larger amount).

(2) The dollar deficit may mean the narrow dollar deficit or the larger dollar deficit. I have already mentioned measures required to cure the larger problem—namely, those which make sterling scarce. We should be able to get some gold from South Africa—this is happily already in train—to meet part of the smaller deficit, and for the rest, I believe that the measures now being taken will reduce it to quite small and manageable dimensions by the time that it is no longer covered by Marshall aid.

Using the Gold Reserve

(3) The working balances are really the crux of the problem. If we want to maintain the international position of sterling, as we do, we must allow large working balances. There is the danger that, as soon as sterling became convertible, these would be drawn down as they were in 1947. Yet once it is quite clear that they cannot be replenished from the blocked balances, the drawing down would be followed by a replenishment. Still more so if there was a restoration of confidence in British economic policy. At the very worst, the drawing down would be a once-over operation. To meet this danger, we should be prepared to pay out fully and freely, as in the old days, from our gold reserve, to the last penny. We should regard that reserve as earmarked solely for this purpose and not to meet a deficit on current account—which should not be tolerated save as covered by Marshall aid.

Would our gold reserve be enough? The danger point is at the first impact of convertibility. If everyone drew out then, and our gold reserve ran down rapidly, the consequent loss of confidence might inflate the drawings. I therefore believe that, now that we have let our position deteriorate so far, we should need some external support. I believe also that it would be possible to get it.

If it was explained that we had a completely new policy in the whole

economic field on the lines of this article, I feel confident that the Federal Reserve System would supply us with a credit sufficient, with our own gold reserve, to enable us to pay out on the working balances to the last penny. We should undertake only to use the credit after we had used all our own gold.

If the world knew that our working balances were thus fully backed, there is not the remotest possibility that we should in fact have to draw upon the Federal Reserve credit.

Egypt's Sterling Balances: More Facts Needed

USUALLY reliable sources are still giving wrong figures as representing Egypt's sterling balances. This is due to the mistaken impression that "releases" are equivalent to repayments. A release stipulated in the financial agreement is simply a transfer from the blocked sterling accounts (No. 2) to the transferable accounts (No. 1) and does not automatically reduce the total balances. It is only when transferable sterling is drawn for the settlement of goods bought and services rendered that the sterling balances are reduced. The total of sterling balances utilized by Egypt since it left the sterling area up to the end of September, 1949, is £29.5 million or £13 million per annum. (At the end of September, 1949, Egypt's sterling balances totalled £326.7 million, of which £72.3 million belong to No. 1 account and £254.4 million to No. 2 account.)

According to the latest U.K. White Paper on the Balance of Payments, total sterling balances held by sterling area and non-sterling area countries declined by £430 million from the end of 1945 to the middle of 1949. This seems at first sufficiently impressive. But the same White Paper (Table IV, Capital Account, Item II) shows that since 1946 the U.K. sold or redeemed foreign investment (such as the Argentine Railways) to a total of £323 million —which presumably entailed a reduction of sterling balances without any "unrequited" exports.

To this must be added the gifts from Australia and New Zealand which amounted to £38 million, making a total of £361 million in all. Thus capital transfers have accounted for 84 per cent. of the reduction in the sterling balances. In fact, unrequited exports have been running at the modest rate of under £20 million per year, or just 1½ per cent. of British exports.

Unrequited Imports

It is, no doubt, probable that some countries have been lucky, successfully obtaining substantial "unrequited" exports from the U.K., but in that case it looks as if the U.K. has been fortunate enough to obtain an equivalent amount of "unrequited" imports from other countries.

There has been so much talk about "unrequited" exports that it would be desirable for the British Government to publish a more detailed statement showing precisely how the

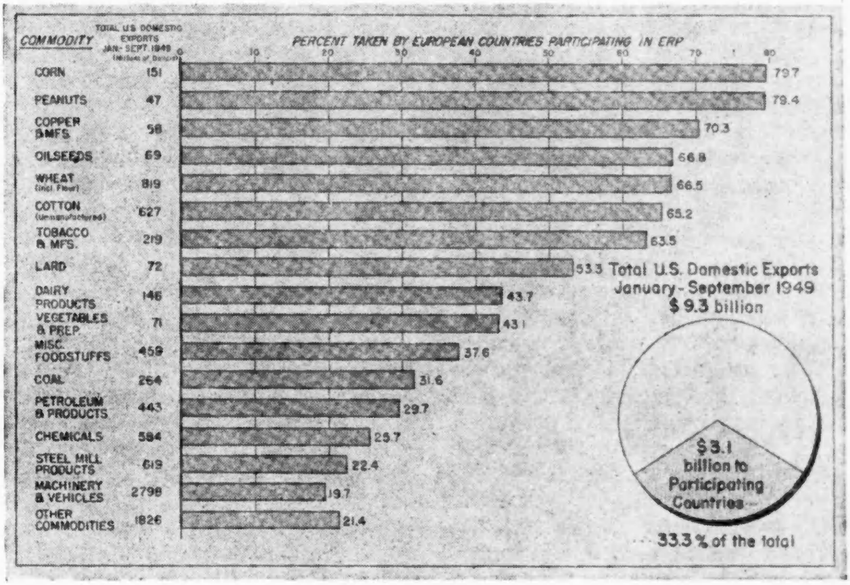
From National Bank of Egypt, Economic Bulletin. Vol. II, No. 3, 1949.

Note: The figures included in this item are as calculated by the National Bank of Egypt, and are not necessarily accurate.—Editors, E.D.

sterling balances were made up, both at the end of 1945 and last June, and whether the reduction that has taken place is due to capital transfers or to current drawings.

American Exports and Marshall Aid

This diagram shows the proportion of U.S. domestic exports in the first nine months of 1949 which went to Marshall Aid countries in Europe. The column of figures at the left represents millions of dollars



From Eighteenth Report of Economic Co-operative Administration, December 21, 1949

AMERICA REMINDED

It is convenient to forget that it took the United States 64 years to take the first step toward free domestic trade in margarine, to overlook the fact that we employ dual pricing in some of our farm products, to brush aside the generations of high-tariff protection that preceded our adoption of a reciprocal trade programme, to forget that we subsidize shipping, aviation, agriculture . . . It would be more becoming and constructive if we devoted ourselves while there is still time to a frank appraisal of the obstacles we have asked Europe to overcome. Without the genuine understanding that such an appraisal would provide we must continue to be victims of our self-induced disenchantment.

New York Herald Tribune January 30, 1950

A study of the results of a recession in the U.S.A., assuming that other countries are flourishing

World Repercussions of Slump in America

By ALBERT O. HIRSHMAN
Economist to the Federal Reserve System

IN examining the implications of a recession for international balance of payments equilibrium, we shall assume that a down-turn occurs only in the United States while other countries continue to enjoy a high level of economic activity.

A depression in a leading trading country is practically certain to create balance of payments problems for its trading partners only if its balance of payments is in approximate equilibrium at the time a recession sets in; but if that country already maintains a considerable export surplus before the onset of the recession, the same proposition does not necessarily hold. The reason for this is quite elementary. A recession starting in the United States will lower the volume and prices of American imports, but it will also decrease the price of American exports. In a situation where this country maintains a huge export surplus the latter factor could easily outweigh the former, *i.e.,* the dollar savings accruing to a foreign country from the fall in import prices could well exceed the loss sustained by the shrinkage of its exports.

This reasoning ought to apply with particular force to the countries participating in the European Recovery Programme, since in 1948 they still exported to the United States only about one-fourth of their purchases in this country. The 1947 Survey of the Economic Commission for Europe had shown how close to one-half of the increase in Europe's balance of payments deficit from 1937 to 1947 was due to the increases in world prices, quite apart from any deterioration in the terms of trade. A recession with its decline in dollar prices could correspondingly improve Europe's international position even though the volume of its exports to the dollar area were to be somewhat reduced.

If the above consideration is valid a recession in the United States could cease to be an unmitigated evil for foreign, and in particular for European, economies. Nevertheless, much relief cannot be expected in this fashion if only because rather narrow limits are set through legislation to a fall in American export prices in the area where it would do Europe most good, that is in agriculture.

Furthermore, a fall in the world price level would profit Europe only if three conditions were fulfilled: (1) The fall in the volume of European exports must not be such as to wipe out the dollar savings obtained through the fall in import prices; (2) the volume of Europe's imports must be held in check in the face of the decline of their prices, and (3) the amount of financial aid must not diminish concurrently with import prices.

It is easy to see that these con-

From American Economic Review, Washington, Dec., 1949.

ditions are only partially met.

In the first place, in the U.S.A. income elasticity of demand for European exports is likely to be high, since Europe exports to the United States a large proportion of luxury and semi-luxury articles.

With regard to the volume of imports, European economies may be relied upon not to expand their imports merely in reaction to price declines. But a tendency toward an increase in the volume of European imports from the United States could nevertheless be expected to assert itself once the domestic sellers' market in the United States had changed into a buyers' market. For this development would permit foreign countries to obtain items previously reserved for domestic consumers and would speed up delivery schedules of American manufacturers for foreign orders of machinery and equipment.

The third condition for a price fall to result in balance of payments relief for deficit countries is a *ceteris paribus* with respect to U.S. aid. The continued existence of sizeable foreign aid programmes during the current readjustment is a substantial safeguard against an international spread and deepening of a recession just as the abrupt end of private U.S. lending at the onset of the Great Depression had then an important intensifying effect.

Nevertheless, there are certain limitations to the extent to which foreign aid outlays may be relied on as a stabilizing factor. In the first place, the emphasis on the real or commodity aspect of our aid tends to provoke curtailments of the dollar amount of aid made available when prices fall. Beyond this technical consideration, it is already apparent that a recession in the United States may bring about a decreased willingness to maintain our foreign aid programme, although at least a slowing down of the scheduled progressive reduction in these programmes may be called for from the point of view of business cycle policy.

No Help for Europe

All in all, it appears therefore more than doubtful that the European countries will obtain much relief from a recession in the United States. All that may be affirmed is that the countries receiving large scale U.S. aid are likely to fare better in a recession than those countries that obtain their dollars primarily by selling goods and services to the United States. The latter countries will feel the full impact of the fall in American demand, and they are quite unlikely, under present circumstances, to apply the policy of freely spending their dollar reserves. Over the past years, all countries have become conscious of the dollar problem and of the desirability to husband their scant remaining dollar resources. A country that sees its dollar deficit increase because of reduced American purchases would immediately retaliate against American exports.

It would seem, therefore, that, in the event of a recession, we would have a special responsibility with respect to those countries that so far have received their dollars primarily through trade channels rather than in the form of U.S. aid. Moreover, it may be in our own interest to see to it that immediate curtailment of their imports from the United States in retaliation for decreased exports to the United States is avoided or minimized.

The Truth About Marshall Aid

By Dr. CARLO RODANO

The scientific-technological supremacy which she has taken over from Europe may mean that America must continue to give away vast surpluses as the price of balancing her production and consumption

HERE is an old problem strictly connected with the expansion of mechanization, namely: how to sell the increased output if the machines, by raising labour efficiency and to a great extent eliminating human labour, exclude from the market an increasing number of potential consumers? This problem has been apparent from the very beginning of the Industrial Revolution and if the classical economists have ended by considering it with optimism, it is only because, in capitalist societies, the employment of man-power has been increasing at the same pace as the efficiency.

Recently this old theoretical problem has reappeared in the guise of a practical problem in connexion with trade between the United States and the rest of the world. The U.S.A. produces practically all that it needs and consequently does not need to import goods. Its position is becoming very similar to that of Sismondi's king of England, namely, *it can no longer trade, but only give away*. In order to preserve the appearance of selling its goods, it has to give us dollars with which to buy them.

Thus economic relations between the countries of Europe and the U.S.A. do not merely present a problem of international trade or of balance of payments. In actual fact, they present a typical problem of distribution of income resulting from technical progress and greater exploitation of natural resources. If frontiers and currency difficulties have immediately made this evident in the international sphere, it is nevertheless equally true of conditions inside the various countries. However, in our capitalist societies, it is more difficult, for technical reasons, to distribute goods free to the citizens without causing a serious upheaval.

The difficulty comes from the fact that it is necessary to organize this free or half-free distribution without upsetting the process of production and, particularly, in such a way as to prevent the workers who benefit from this free distribution losing interest in their work, while at the same time allowing a margin of profit for the employers. This might possibly be achieved by gradually extending public services so as to distribute free such goods as have a rapidly decreasing cost of production. So far, however, neither this nor any of the other possible solutions has been studied sufficiently to ensure success. On the other hand, the favourable effects of free exports on the stability of the domestic market are almost as certain as those of the destruction of surplus goods, which is the oldest and best-known method.

Being brought face to face with

From Quarterly Review, Banca Nazionale, del Lavoro, Rome, July/Sept., 1949.

the general problem of distributing increased output on an international scale has served to stress its characteristics and should therefore have facilitated its solution. In fact, in the countries that have been receiving help from the U.S.A. in the form of free goods, nobody could possibly maintain that these goods have cost a sacrifice or that it would be a saving not to use them or to refuse to accept them. Consequently, had it not been possible to utilize them otherwise, the beneficiary countries should logically have distributed them free of charge (to destitute citizens, for instance), arranging this distribution in such a way as to avoid any unfavourable effect on production.

Nevertheless, the modest attempts made to plan the distribution of E.R.P. help aroused the suspicions of a number of well-meaning persons, who hastened to draw attention to what they claimed to be a contrast between the United States' intention to defend private enterprise and the experiments in collectivism on the part of European Governments. In reality, when the U.S.A. decided to grant free help it was merely passing on to other countries the task of solving a problem which it did not feel able to solve on its home front and which could only be solved—as has already been said—by turning from a market economy to philanthropy.

It may seem like a paradox, yet—from this point of view—the collectivist countries may be needed to save private enterprise in a country whose economy is constantly expanding and which, like the U.S.A., wishes at the same time to enjoy the advantages of stability.

The Americans have adopted this solution without realizing it. They never intended to create the necessary conditions for replacing men by machines and it would be ridiculous to attribute to them the Machiavellian plan of passing on to Europe the task of saving private enterprise in their country. The most important immediate advantage of this help, which is to offer an outlet for production surpluses, has only been realized by a few people and a number of these, while appreciating the measure in as far as it concerns their own special branch (cotton, wheat, etc.), are opposed to any general policy of this sort.

Congress approved the Marshall Plan with arguments that likened it to the subsidies paid by the Roman Empire and by the British Government in India to frontier tribes in order to keep them quiet. Further, Congress threatens every year to reduce E.R.P. funds. What count, however, are the facts and not the intentions. Columbus discovered America, but he thought he had only found a new route to Asia.

U.K. Trade with Eastern Europe

U.K. exports to Russia and her East Europe satellites were an even smaller share of the total in 1949 than before the war. In the first eleven months about 2.1 per cent. of all British exports and re-exports went to these countries, compared with 5.9 per cent. pre-war. Britain's exports to Australia and South Africa, the two biggest markets in 1949, were 15 times as great as those to Russia and Poland, the two largest Eastern European countries. Britain's exports and re-exports to Canada and U.S.A. were 6½ times as great as those to Russia and Poland.

Board of Trade Returns

America's Defence in Depth

Against Competitive Imports

Behind the front line of tariffs there is a maze of machine-gun nests and strong points. Consular invoices, strange classifications, mysterious duties, internal taxes, "purposeful and interminable delay" — all these conspire to resist Europe's export drive for dollars

MR. Hoffman repeats constantly that "in 1937 . . . . the Marshall plan countries and their dependencies sold us goods and services valued at $1,823 million, or 2 per cent. of our gross national product. Had this percentage been maintained, or if it could be restored, the Marshall plan countries would now be selling us upward of $5,100 million worth of goods and services, or approximately $2 billion more than they are now doing."

The simplicity of this calculation is, as he no doubt well knows, somewhat deceptive. The extra dollars needed to get back to the level of 1937, as well as those made necessary by the post-war situation, must as a result be earned by the sale of manufactured goods, and, except in rare cases, of manufactured goods which compete directly with American industry. And these are the very goods against which the whole machinery of American tariffs and their administration has always been on the alert. Raw materials needed by domestic industry, and even finished goods not produced in the United States, have always flowed across the borders with only token obstruction. Anything competitive met the full fire-power of what has been called a system of defence in depth.

Of this system the front line, visible to the enemy and therefore his first and—unless he knew better—his only target, was the actual rate of duty. Behind the front line were, and still are, a maze of machine gun nests and strong-points, among them the necessity for special consular invoices, expensive of time and money; the requirements of the Pure Food, Drug and Cosmetic Act, which are so inflexible that, unsupported, they are capable of eliminating some products altogether; doubts over classification of articles (and sudden, unpredictable, and, usually, unfavourable reclassifications between one shipment and another); different bases for "value for duty" at different ports and at the same port on different occasions; inclusion of excise or internal purchase taxes (which are not being paid by the importer) in the export valuation; marking regulations which are, designedly, impossible of fulfilment (such as decisions that ball bearings, trout flies or bricks must be stamped with the name of the country of manufacture); and, if all else fails, purposeful and interminable delay.

Twenty years ago, when the Senate Finance Committee was taking evidence on the Smoot-Hawley Act, a spokesman for the National

From The Times, Jan. 11/12, 1950.

Association of Manufacturers stated that, in the view of his organization, "we do not care for the rates if we can get what we want through the administrative practices." They got what they then wanted, but they are now on record as wanting something different. The administrative practices, however, remain partly embedded in legislation passed in response to their attitude and partly in the decisions of the Customs Courts, which have consistently maintained it to be their duty to uphold the most outrageous and high-handed acts of Customs officials. More than 20 years ago Judge Adamson said in the Court of Customs Appeals that "the intent of American marking regulations is to make importation into the United States both expensive and difficult." The spirit of that ruling has been extended to cover all other Customs regulations.

Although it should be well known by now that ignorance of the Constitution or the laws of the United States is no excuse, it is certainly arguable that, at times, the State Department could have acted in better faith when negotiating reductions in the rates of duties under the Reciprocal Trade Agreements. It knew—and many of the countries with which it was negotiating did not—what further defence lines there were and how illusory were some of the concessions it was making. With its right hand, the State Department, the United States gave; with its left hand, the Treasury, it took away again. Similar practices on the part of other Governments have often brought sharp Notes of protest from the United States.

Since the end of the war the State Department's interest in stimulating imports has been sharpened and, when involved in the Havana and Geneva negotiations on tariffs and trade, it has shown its awareness of the importance of Customs administration as a barrier to trade. So far, however, the United States has not ratified the charter of the International Trade Organization nor has it begun to bring its own procedure into line with the requirements of the charter.

The joint Canada-United States Report of the Chambers of Commerce concluded that "Customs procedure and practice . . . . has the effect of changing almost completely the intent and purpose of both Governments towards a freer movement of trade. Such practices, it was agreed at Geneva, are undesirable and improper. If the United States moves to implement the Geneva agreement, or the Havana Charter of the proposed international Trade Organization, such practices would be outlawed," adding somewhat wistfully, the report having been written by a sub-committee of Canadians with long experience of American Customs procedure, "at least in principle."

America Dumps 25 Million Bushels of Potatoes

Secretary of Agriculture Charles F. Brennan has authorized the dumping in their production areas of all 1949 surpluses of potatoes—25 million bushels. The alternative was free delivery to alcohol plants, but transport would then have cost $15 million. The dumped potatoes are part of an estimated total of 65 million bushels of 1949 crop which will come under the Government price-support programme. Potatoes will again come under price-support programme in 1950, at an average price of $1.01 a bushel compared with $1.10 in 1949.

Washington, February 3, 1950.

Buffer Stocks Schemes

The Conditions of Success

By R. S. PORTER

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THE satisfactory operation of an international buffer stock agency depends upon the existence of a world market for the commodities concerned. Buyers and sellers must be indifferent whether they sell to or buy from the agency or the market. In a world where there is a permanent shortage of dollars this condition is not realized. The effect of this is to limit the applicability of the agency's buying and selling prices.

If the agency is financed from dollar sources there is a danger that producing countries would prefer to sell to it at its fixed buying price rather than to other countries at a price which is higher in terms of inconvertible currencies valued at the official rates. The agency may, therefore, find itself accumulating unsaleable stocks.

If the agency is prepared to sell for inconvertible currencies its original dollar fund will be transformed eventually into inconvertible currencies which are useless for further operations. If they are made convertible by agreement, then the purchase of commodities from the buffer stock agency will involve a net drain of dollars to the purchasers which they might be able to avoid by purchasing from other countries at a higher price in terms of inconvertible currencies.

These difficulties apply particularly with commodities produced both in the dollar and in the sterling area, and consumed partly in the dollar area and partly in the sterling area. For then the condition of indifference of the buyers between the sellers is not realized. The most important of these commodities are wheat, cotton and copper.

On the other hand, the difficulties are less in the case of those commodities which are produced entirely outside the dollar area but sold partly to the U.S.A. and partly outside the dollar area. A good example of such a commodity is natural rubber. In such a case it might be possible to reach agreement on a system whereby the funds of the agency were constituted in proportion to the sales of the commodity to the two currency groups. The practical difficulties are very great, however, and the operation of the system would need to be regulated by a much more comprehensive agreement than we have hitherto envisaged. But if such a scheme could be devised it would be of great assistance in maintaining the flow of dollars to rubber producers in the event of a severe slump in the United States.

Those commodities which are produced and traded for the most part within one currency group are amenable to treatment by means of buffer stocks even in the present unsatisfactory conditions. The most important example of such a commodity is coffee, which is produced mainly in South America and sold mainly to the United States. The problem of indifference discussed above does not arise here in any acute form, and the institution of a satisfactory buffer stock system for coffee would help to stabilize trade

From Buffer Stocks and Economic Stability, Oxford Economic Papers, Jan., 1950.

between North and South America.

These remarks suffice to show that there is only limited scope for a system of international buffer stocks in a world in which the pattern of trade is not governed by movements of relative prices but by bilateral agreements concluded regardless of relative prices. In such conditions of fixed exchange rates between currencies whose convertibility is limited, the prices of commodities in different countries have little meaning, and trading must be conducted on the basis of the relative bargaining strength of the countries concerned. It follows that the buying and selling prices of an international buffer stock agency would have little meaning under those conditions.

A system of buffer stocks for storable primary commodities does offer the prospect of a more stable multilateral system of trading than has hitherto been possible and this renders the idea of multilateral trade more attractive. It is outside our purpose, however, to enter the controversy which centres around this issue, but there is room for doubt as to the ability of this country to maintain the present system of trading as a long run proposition in the face of the growing hostility of the United States and other countries towards it.

The storage of crops in times of plenty for use in times of scarcity has long been recognized as desirable. The Chinese are said to have operated an "Ever Normal Granary" system many hundreds of years before the birth of Christ. The famous Biblical story of Joseph and the granaries of Egypt illustrates, however, one of the difficulties which confront all those who would undertake such desirable activity, the difficulty of foreseeing the future.

Writers on this subject have often mentioned with approval the fact that Joseph supervised the storing of grain, but they do not mention the most instructive and the most interesting part of the story, which is that the storage operations were undertaken as a result of Joseph's interpretation of Pharaoh's dream which foretold seven years of plenty to be followed by seven years of famine. Thus Joseph had, in effect, 14 years of perfect knowledge of the future, as far as this problem was concerned. Unfortunately, merchants to-day are not gifted with this remarkable power of prophecy and so the storage of raw commodities involves great risks to the person storing them.

The article from which this extract is taken explains the great importance of securing satisfactory economic conditions before attempts are made to institute buffer stocks. Premature attempts to set them up can only result in the failure of the system and the discrediting of the idea. It is important to recognize that buffer stocks are not a satisfactory method of dealing with a situation in which there exists long-run excess capacity. Their importance lies in the hope they give of being able to reduce the short-run fluctuations in primary producers' incomes in a world of multilateral trading where non-discrimination is possible. This would in turn tend to stabilize the size of the markets for manufactured goods, thus making it much easier to follow internal policies of maintaining full employment. In this way the conflicting claims of full employment policies, and a more liberal system of trading may be reconciled.

Guaranteed prices for agricultural produce are among the most contentious political issues of the day. The facts of America's present plans are therefore widely interesting

Supporting Farmers Costs $1400 Million

COMMODITY Credit Corporation net expenditures, principally for farm price supports, are now estimated at $1.4 billion, or $800 million higher than last January, as a result of above-normal crops and declines in some commodity prices. This sharp expansion in price support activities not only is keeping costs of food higher than they should be, but at the same time imposing a heavy financial burden on the Treasury and contributing to the budget deficit.

During the fiscal year 1949, the C.C.C. reported an operating loss of $600 million, of which $248 million was for direct losses already sustained under the various price support programmes, $336 million to provide for future losses on inventories owned, and the balance for operating expenses not covered by loan income.

At the peak of its price-support operations during the past season, C.C.C. laid out more than $3.4 billion in loans and direct purchases, as shown by the accompanying table. Through re-possessions and sales, these commitments were paid down by June 30, 1949, to $2,352 million.

C.C.C. PRICE SUPPORT OUTLAYS ON 1948 CROPS

Commodity	Unit	Quantity (millions)	Value (millions) $
Cotton	bales	5.3	822.0
Wheat	bus.	376.5	749.5
Corn	bus.	555.6	767.2
Peanuts	lbs.	1,361.3	170.0
Potatoes	100lbs.	101.9	228.2
Flaxseed	bus.	26.6	159.0
Linseed Oil	lbs.	304.5	82.0
Tobacco	lbs.	221.7	102.2
Beans	100lbs.	8.4	68.4
Wool	lbs.	80.7	63.1
Barley	bus.	49.5	55.8
Grain sorghums	100lbs.	22.8	55.3
Dried eggs	lbs.	28.4	36.2
Soybeans	bus.	11.0	24.6
All others			65.7
Total			$3,449.2

The magnitude of these operations may be appreciated by comparison with the size of the crops harvested in 1948. For example, C.C.C. through its loan and purchase programmes held off the market 79 per cent. of the flaxseed crop, 70 per cent. of the peanuts, 40 per cent. of the dried edible beans, 38 per cent. of the potatoes, 35 per cent. of the cotton, 29 per cent. of the wheat, and 15 per cent. of the corn. By the time of the 1949 harvests, C.C.C. still was holding previous crops to the extent of 3,800,000 bales of cotton, 227,000,000 bushels of wheat and 555,000,000 bushels of corn, as well as many other crops.

At the present time, C.C.C. is holding over 100,000,000lb. of butter, a full month's consumption; flaxseed and linseed oil supplies equivalent to a full year's normal requirements; and dried eggs amounting to around 70,000,000lb.—a 10 years' supply!

It also owns large quantities of a wide range of other agricultural commodities including cheese, dried milk, peanuts, soybeans, prunes, raisins, potatoes, potato starch, barley, dried edible beans, grain sorghums, oats, dried peas, rice, rye, hay seed, wool, frozen eggs, wool, rosin

From Monthly Letter, National City Bank of New York, Dec., 1949.

and turpentine. It soon is expected to go for the first time into new price support fields, including tung nuts, walnuts, almonds, honey and mohair.

Under the new Farm Law recently passed by Congress, effective on January 1, loans on the 1950 basic crops—wheat, corn, cotton, tobacco, peanuts and rice—will again be held at the war-time 90 per cent. parity level. While discretion has been given to the Secretary of Agriculture to reduce supports for other commodities to 75 per cent. of parity and in some cases even lower, most parity prices will actually be higher next year under a new formula which changes the base period and includes an allowance for the rise in farm wages.

Reduction in acreage is being called for in cotton, wheat, corn, rice and potatoes, but it is expected that much of this released acreage will merely be diverted into other crops on which no statutory controls are exercised, thus further piling up surpluses and adding to the price support outlays.

SALIENT FIGURES OF THE MONTH

*November. †January. All other figures refer to December.

		Latest Month	Increase (+) or Decrease (—) on a Month Ago	Increase (+) or Decrease (—) on a Year Ago
MANPOWER				
Total manufacturing industries	(thousands)	*8,395	+ 42	+194
Cotton spinning and weaving	do.	* 228.2	+ 2.8	+ 9.8
Coal (on colliery books)	do.	709	Same	— 17
Reg. unemployed (G.B.)	do.	330.3	+ 6.7	+ 4.4
PRODUCTION				
Index of production	(1946=100)	* 138	+ 4	+ 9
Coal (average weekly output)	(thousand tons)	4,184	—314	+229
Steel ingots and castings	do.	291	— 24	+ 9
Cotton yarn (do.)	(million lbs.)	* 19.2	+ 0.4	+ 0.8
Woven wool fabrics (do.)	(million linear yards)	* 27.3	+ 2.2	+ 3.2
Passenger cars (do.)	(thousands)	8.26	— 1.04	+ 2.57
Commercial vehicles (do.)	do.	4.35	— 0.62	+ 0.87
Permanent houses completed	do.	17.40	+ 0.96	— 0.78
TRADE				
Value of imports	(£ millions)	† 201.2	+ 5.5	+ 14.0
Value of exports	do.	† 175.8	+ 22.0	+ 16.6
Volume of exports	(1947=100)	156	— 6	+ 9
Freight train traffic	(million tons)	5.34	— 0.44	— 0.18
Retail sales	(1947=100)	163	+ 26	+ 18
FINANCE				
Currency in circulation	(£ millions)	1,268	+ 25	+ 14
Deposits in London Clearing Banks	do.	*6,066	+ 16	+ 9
Provincial cheque clearings (av. working day)	do.	6.86	+ 0.48	+ 0.46
WAGES AND PRICES				
Weekly wage rates	(1947=100)	109	Same	+ 2
Retail prices	(1947=100)	113	+ 1	+ 4
Wholesale prices	(1930=100)	† 244.4	+ 3.5	+ 23.2
Basic materials	do.	† 319.0	+ 11.7	+ 11.7
Intermediate	do.	† 277.0	+ 5.7	+ 21.0
Manufactures	do.	† 227.1	+ 0.2	+ 11.8
Import prices	(1938=100)	124	+ 2	+ 7
Export prices	do.	114	+ Same	+ 1

Why Money Values Deteriorate

By GUSTAV SODERLUND

Managing Director, Skandinaviska Banken

Perhaps nobody wants inflation. But most people want conditions that are bound to add up to inflation. The remedy is well known: its practical application more difficult to see

As in America, so in Sweden and other Western European countries, there are both inflationary and deflationary forces at work. In order to reach a proper balance, these forces must be kept in equilibrium as far as possible by economic policy. In this way the value of money, as it now stands, will be protected.

To restore its value to what it was before the war would necessitate a laborious and difficult readjustment of many value relations; a process which would not commend itself to the various governments involved. On the contrary, in the democracies as a whole an exactly opposite tendency is to be expected. The governments appear to be in the position where they have to fight the forces of deflation with almost every means at their disposal, while their ability and willingness to combat inflationary tendencies are perceptibly less powerful.

This inability of governments to defend the value of money against the forces which threaten it is not merely a temporary phenomenon; it is rooted in the social structure and political systems of their countries. The parties campaign in order to win votes and so get into office; the citizens, from producers and officials to pensioners, the old and the sick, are organized into groups which know how to watch over their own interests; the party leaders and governments become dependent on such groups, which all have it in common that they put forward claims for adequate and increasing incomes for their members; it is an extremely delicate task for a government to try to restrain a group which has real grounds for claiming higher money incomes; and when such grounds are lacking and the level of incomes is in danger, the government is called upon to protect the threatened earnings.

It is true that the nature and pernicious consequences of inflation are now fairly well recognized by the organized groups and that no one wants the value of money to deteriorate if it can be avoided. As, however, each group regards higher incomes as the best way of furthering the interests of its members, and as the efforts in this direction are facilitated by the existence of a seller's market, the consequence is nevertheless a tendency to a general rise of prices and a decline in the value of money.

Recourse is had more and more to the national budget whenever the

 From Quarterly Review, Skandinaviska Banken, Stockholm, Jan., 1950.

groups try to supplement the gains made for them by their professional organizations in the course of negotiations, and whenever the political parties have to implement their expensive election promises. With this the development reaches its final direction, not least through the spreading of purchasing power to many unproductive objectives.

What could serve to break such an inflationary tendency would be the capacity of production to bring about a more general saturation of the market for some of the most important categories of goods. This would entail a weaker position for the organized groups in their campaign for improved conditions; there would soon be a trend towards lower prices and lower wages; employment would begin to be difficult to get for those who could not adapt themselves, and unemployment shows cumulative tendencies.

This should at first be a welcome development, felt as a general letting-up after a long period of rising prices. But in many quarters the reaction to a threatened depression is so strong, that inflation is preferred as an alternative to deflation. Unemployment is the great bogey, and there is an element of desperation and lack of perspective in the determination to take arms against the forces of deflation, calculated though these may be to restore a fallen value of money.

It would seem that the result of this very general attitude towards the different factors in the trade cycle can only be a trend towards the deterioration of the value of money in the long run. In the short run and on occasion the trend may go in another direction, but it is unlikely that such deviations will be of such a thorough-going character as the deflations at the beginning of the 'twenties and 'thirties—which incidentally did not prevent the last half-century from leaving behind it a record of highly significant decline in the value of money.

Naturally it is reasonable to ask how far the power of governments extends in practice when it is a question of mastering powerful deflationary forces. Both the will and the resources available are, however, vastly different from what they were 20 years ago; methods have been tried out and plans elaborated. Deflationary factors are, too, so carefully watched by both governments and business circles that they could hardly gain the upper hand. Conditions in the United States during the last year provide an interesting example of this.

If a comparable degree of interest could be counted upon in the campaign against the forces of inflation, we could at least console ourselves with the thought that the decline in the value of money would be a slow and almost tolerable process.

U.K. Exchange Equalization Account

Holdings of Gold, and U.S. and Canadian Dollars

	In terms of		
	U.S. $ million	£ million (at £ = U.S. $2.80)	£ million (at old rates)
Dec. 31, 1945	2,476		610
June 30, 1946	2,301		567
Dec. 31, 1946	2,696		664
Mar. 31, 1947	2,380		586
June 30, 1947	2,410		593
Sept. 30, 1947	2,383		587
Dec. 31, 1947	2,079		512
Mar. 31, 1948*	2,241		552
June 30, 1948	1,920		473
Sept. 30, 1948	1,777		437
Dec. 31, 1948	1,856		457
Mar. 31, 1949	1,912		471
June 30, 1949	1,651		406
Sept. 30, 1949	1,425	509	(351)
Dec. 31, 1949	1,688	603	(416)

* Immediately before the beginning of E.R.P.

From Board of Trade Journal, Jan. 14, 1950

Europe Heading for Over-Production of Steel

The development of Europe depends on steel, and the European steel industry is at a disadvantage in competition with America. The problems of consumption, investment, production, raw materials and market research can only be solved by the united efforts of the nations concerned

ABUNDANT and sufficiently cheap steel is a prerequisite to a proper development of the European economy. Further, large exports of steel and of manufactured products made from steel are one of the essential conditions for Europe to balance its trade with other continents. It is apparent that, in general, such exports will be possible only if steel and, especially, steel products are economically produced in Europe. This consideration leads to the examination of two fundamental problems:

(*i*) Has Europe the necessary raw materials for producing steel?

(*ii*) Will the cost of producing steel in Europe permit European producers to compete with other world exporters?

The conclusions, in summary form, are as follows:

1. The European steel industry is at present at a disadvantage in world competition with the American industry.

2. This disadvantage does not seem to rest on fundamental factors of resource availability or of technology. It is true that the European industry seems to use more labour in relation to capital than the American, and that American coal, and probably ore, is cheaper than the European raw materials. On the other hand, the effect of the lower European productivity on labour costs is mitigated by the general difference in money wage rates between Europe and the United States; and in certain important respects, especially transport costs, the European industry is more economical than the American. While intensive improvement in production techniques of the European industry seems economically desirable, the technological gap between the two industries is not beyond the reach of intelligent European investment policies.

3. The principal reason for the weakened competitive position of the European steel industry at the present time is the great rise in the European prices of coal and ore, at a time when the corresponding American prices have risen far less. This rise in prices has been accentuated by the bilateralism under which most of the European coal, coke, scrap and ore have been sold, and by Europe's general balance-of-payments position in relation to the dollar. Both these factors have weakened competitive pressures which might have kept European prices from rising so far. At the same time, a pattern of price dis-

From European Steel Trends in the Setting of the World Market. Prepared by the Steel Division, Economic Commission for Europe (United Nations, Geneva, 1949).

crimination has emerged, export prices being far above domestic prices.

4. By reason of the interdependence of European steel producing countries for raw materials, as well as for markets, and in view of the international character of the price problem which has developed, concerted action by all the countries involved seems necessary if the prewar competitive capabilities of the European steel industry in the world market are to be approached again. In this respect, it must be emphasized that too small units of production are not likely to permit Europe to compete with the United States on favourable grounds. The steel industry is obviously a mass production industry since its present level of technology requires concentration of production in large units involving heavy capital investment; mass production of standard products is therefore necessary to cut costs and to reduce the very high overhead charges. Moreover, capacities should be determined with more respect to the geographical position of the various countries than has been done so far. It is chiefly because some countries—badly located for the production of steel at low cost—nevertheless developed the industry in the past that they were compelled to erect customs frontiers.

5. The problem goes beyond the question of European exports, important as they are. If the European industry is to develop as rapidly as is desired in its engineering and steel processing phases, the development of an integrated European market should be fostered in so far as possible with:

(*a*) Intra-European export and domestic prices at the same level.

(*b*) Prices set at a reasonable level in relation to costs so as not to discourage investment in the steel industry, but above all to stimulate increased consumption of steel, by sufficiently low prices.

Production Plans

It would appear that by 1953 Europe might expect, at a maximum and under full employment, to market for internal consumption and for export outside Europe some 62,000,000 tons of basic steel products expressed in crude steel equivalents. When, on the other hand, one adds together all the steel production plans for 1953 drawn up by the individual European countries, one arrives at a total of over 70,000,000 tons of crude steel. It would seem, therefore, that on the basis of present plans, not only for steel production but for general economic development, some 8,000,000 tons will not find a market.

There are some arguments often heard, however, which deprecate the seriousness of the estimated surplus.

(*i*) Even if demand in 1953 proves to be only 62 million tons, this would represent operations at 89 per cent. of effective capacity, which would still be a fairly satisfactory level. This would be true only if the burden of the reduced operations below capacity level were shared equally throughout Europe. However, the division of Europe into a great number of economic units would prevent such a uniform reduction in steel production. In countries which do not export steel, the industry might well operate at close to 100 per cent. of capacity under the protection of tariffs, import restrictions, etc., while steel exporting countries, which have so far proved to be the more efficient low-cost producers, might be obliged to operate their steel plants at a level below their break-even point.

(*ii*) If steel consumption in Europe increases at the rate of 1.5 million tons a year, in accordance

with the average trend of the past, the condition of surplus capacity would last for only a brief period after 1953 before it is overtaken by the normal growth in consumption.

In this respect, it may again be repeated that provision has been made, in the estimate of 62,000,000 tons, to meet the maximum demand likely to develop by the year 1953. If in a year of supposedly optimum conditions steel works operate at only 89 per cent. of capacity, what of less happy years of which the past gives impressive record? Although Governments are now committed to full employment policies, it is not certain that recessions can be completely avoided in future.

Reasons behind the Plans

A general factor which can explain this over-optimistic steel production planning is the lack of contact and exchange of information among the people responsible for making the plans in various countries, as well as the absence of international co-operation on a Europe-wide basis.

Too often, steel exporters have taken advantage to the maximum of the dire need for steel in importing countries to sell their surplus at the highest possible price. In such circumstances some importing countries have thought it preferable, after two bad experiences during and after the two world wars, to produce their own steel, even under uneconomic conditions, rather than risk having again to sustain shortages and to pay abnormal prices.

A greater stability and confidence would be achieved if more thought were given to long term contracts both for raw materials and finished products, with prices equal to domestic prices of the exporting country or with prices linked to the main elements of cost, such as wages, raw materials, taxes and so on. Steel producers would themselves have more incentive to enter into such a system if raw material prices could be considered as a more or less stable element. Such long term contracts could be envisaged with the most important national steel consumers, such as the railways, as well as with an increasing number of countries where the Governments are in a position to undertake such engagements.

The general tendency towards autarky which is noticeable in many fields other than steel is probably the most important single factor responsible for many of the present expansion plans. It is true that, in the past, certain powerful countries have taken advantage of their position as suppliers of an essential raw material to put undue political and economic pressure on their customers. Such arguments might be a sufficient justification in some cases, but, so far as steel is concerned, it is of little value: indeed, not one European steel producing country is self-sufficient for its supplies of steel-making raw materials. It is therefore illusory for consuming countries to believe that economic independence can be attained by producing their own steel, often under uneconomic conditions, when they will always have to import some essential raw materials for steel-making.

Some countries are hoping to help solve their balance-of-payment problems, either by producing their own steel instead of importing it or by increasing their steel exports. In the first case, this will prove possible only if they are ensured a cheap and regular supply of steel-making raw materials and if the steel they produce is competitive, from a price and quality point of view, with the steel they could import.

In the second case, increased steel export surpluses will help a trade

balance only if these surpluses can be marketed.

Strategic and security reasons are sometimes given as a final and irrefutable argument to justify a steel expansion plan. It is most improbable that, in case of war, any of the European countries with substantial expansion plans could use to the full the steel capacity planned at present. Limited labour resources and dependence upon imported steel-making raw materials would be obstacles that could hardly be fully overcome.

POSSIBLE REMEDIES

(*a*) Co-ordinated measures should be studied and applied in order to increase steel consumption when signs of under-consumption or recession appear.

(*b*) Steel investment and production programmes should be co-ordinated in order to ensure an overall satsifactory level of crude steel production and an adequate supply in each of the main categories of rolled or drawn steel products.

(*c*) Co-operation among European countries should ensure adequate supplies of good quality and cheap raw materials for steel-making.

(*d*) Wide exchange of information on improvements in steel producing techniques, on measures taken to increase productivity, etc.,

HOME PRICES OF MERCHANT BARS

(*U.S.A. dollars per metric ton*)

Period	United States	Belgium	Luxemburg	France	United Kingdom
June 1937............	54.00	32.90	32.90	39.00	55.75
July 1949............	73.85	69.40	71.65	96.55 79.65	86.50
Increase 1937-1949....	37 %	111 %	118 %	148 % 104 %	55 %

DEPENDENCE OF THE MAIN EUROPEAN STEEL-PRODUCING COUNTRIES ON IMPORTS OF ESSENTIAL RAW MATERIALS FROM OTHER EUROPEAN COUNTRIES

Country	Iron Ore (on the basis of its iron content)		Scrap		Metallurgical Solid Fuels	
	pre-war	post-war	pre-war	post-war	pre-war	post-war
1. United Kingdom....	50	45	10	10	—	—
2. France............	—	—	—	—	55	50
Saar...............	100	100	25	—	15	
3. Germany...........	75	45	5	—	—	—
4. Belgium...........	100	100	—	20	30	25
5. Luxemburg.........	30	50			100	100
6. Czechoslovakia......	50	65	30	30	—	—
7. Italy.............	30	10	35	35	100	100
8. Poland............	65	90	75	35	—	—
9. Sweden............	—	—	10	20	100	100
10. Hungary..........	70	70	20	20	95	95
11. Austria..........	—	—	10	30	100	100
12. Netherlands.......	100	100	—	—	—	—

should be organized.

(*e*) The evolution of the European and even of the world market situation from the point of view of steel production and consumption ought to be studied periodically so as to determine, in time, factors which might influence the decisions to be taken.

These measures that have been suggested for putting the European steel industry on a sound competitive basis all involve a magnanimous attempt at international economic co-operation. With the immediate crisis of problems arising from the war now over, the choice lies before Europe, either to go forward in its co-operative endeavour to meet the new, difficult and often troublesome tasks, or relapse into the old modes of thought and action which have brought upon it its present troubles.

Profits Taxes Mean Capital Cuts

Present taxation of companies makes it impossible for them to maintain material facilities for production out of their own reserves. They have to rely on the savings of others

BEFORE the war, depreciation allowances were, as now, based on the original cost of the item of fixed capital concerned. Omitting some finer points which do not influence the main argument, depreciation allowances permitted the whole original cost to be recovered over a period. It will be noted that even when there was no rise in price to be covered, this did not permit a company to accumulate, out of untaxed allocations to depreciation alone, the cost of buying superior equipment to replace old and less technically efficient plant. That had even then to be covered, as had any expansion, from reserves set aside out of taxed profits. That is a point of some importance, but we are not concerned with it in this article.

During the war, total permitted profits, except in so far as their expansion was due to the use of additional plant, were pegged at the level of the base years for E.P.T. and the rate of tax on profits placed to reserve rose sharply. The general effect of this can only have been to reduce allocations to reserves. Again, while plant continued to wear out, opportunities for replacing it were generally absent.

Depreciation allowances at approximately the old amount and reserves of reduced amount were accumulated, but their real value fell with every rise in the replacement cost of the plant they were designed to buy. Except to the very modest extent that new plant could be installed—and some at least of that plant was not suited to peacetime production—depreciation allowances were based entirely on pre-war values.

The result of this can only have been that companies in general were not accumulating in depreciation allowances and in additions to free reserves enough to replace plant at the rate ruling in pre-war days when the rise in prices was very moderate. There is a partial offset to this, not hitherto mentioned, in that some plant has been kept in operation

From The Three Banks Review, London, Dec., 1949.

which, had it been replaced early in the war, would have needed a second replacement by this time. Bearing in mind, however, the average life of plant as distinct from tools, this factor cannot be of great importance.

With the end of the war the price rise was actually accentuated and it was some time before any considerable quantities of plant became available for British industry. It is still in many cases in very short supply. Calculations suggest that the post-war rate of accumulation of resources under both heads only caught up with the rise in prices some time last year. It only did this then because the initiation allowances made large tax-free allocations possible and this benefit will, as things stand at present, be offset in the future by correspondingly smaller tax reliefs.

The inevitable conclusion is that the total amount which industry has been able to retain has been insufficient to replace plant at the rate prevailing in pre-war days during the past decade, having regard to the apparently permanent rise in prices. But, in addition to this deficiency on account of fixed capital, there is, to provide for the increased cost of stock-in-trade, a further sum which may well exceed the total set aside for depreciation and free reserves over a period of 2½ years at pre-war rates.

This seems to establish beyond doubt that the present taxation of companies is such as to make it impossible for them to maintain their material facilities for production out of their own resources. That is to say, they must rely on the savings of others for that purpose as well as for any expansion that may be considered necessary. It is beyond the scope of this article to go into the question of whether this is a desirable state of affairs, or of how the finance is to be provided, but it is most important that the facts should be recognized, so that whatever is done should be the result of deliberate policy.

F. WALDO FORGE

Cotton Weavers' New Wage System

WITH the turn of the year a new era has begun for a large sector of the weaving section of the Lancashire cotton industry—all that part of it, in fact, which does not use automatic looms and does not produce fustians, sheetings, blankets, and towellings.

From January 2, under an agreement signed last month, managements and workers in weaving mills in the sector concerned can decide whether to continue to follow the wage system and working conditions provided by the old Uniform List or to adopt the C.M.C. system—so-called because it follows the recommendations of the Cotton Manufacturing Commission, under the chairmanship of Mr. R. Moelwyn Hughes, K.C., in its interim report issued in March, 1948.

The new system is a permissive alternative to the old one, which was given statutory force under an Act of 1935, but it has already been introduced in numerous mills where the results achieved in higher wages, increased output and reduced costs have been so strikingly satisfactory as to create a strong desire in scores of other mills to start participating at the earliest possible moment in the benefits available.

From The Times Review of Industry, London, Jan., 1950.

The new system is of such importance, especially in the present circumstances of the trade, that it is desirable to indicate in some detail the changes which it involves. In its inception the old Uniform List was a tolerably simple method of calculating the wages to be paid for weaving certain yardages of particular cloths, but over the 50 or 60 years since then it has become highly complex. It has incorporated many increases and modifications of the original rates which, however well justified they may have been when they were introduced, have become anomalous and obsolete with improvements in working conditions, machinery and in the raw materials used.

One of the results has been to provide greatly increased earnings for weavers using any but the most common types of yarn, or weaving any but the most common types of cloth, in many instances where such activity calls for no greater skill or effort than are required when ordinary yarn is being woven into "bread-and-butter" cloth.

The C.M.C. system knocks the bottom out of this vested interest in using special yarns and weaving special constructions of cloth, giving the individual weaver a direct incentive to mind as many looms as possible and to turn out the largest possible yardage of any kind of cloth. It has on the operative the same effect as was produced on the weaving trade employer by the withdrawal of the control of selling prices of cloth. This control had applied only to the simpler cloths, so that employers had an incentive to operate as many as possible of their looms on the other types of cloths of which the selling prices were not regulated.

The availability of the new system, accordingly, opens up two favourable prospects. First, it should permit the present labour force to mind a greatly increased number of looms and consequently to increase greatly both the output of the operative and total output in those cloths hitherto covered by the Uniform List. Secondly, by leaving employers and operatives with no particular preference (because of extra remunerativeness) for any one type of cloth, it leaves production free to be adapted to demand.

There should thus be a twofold impetus to increase output of the plainer standard styles, which in recent years have been produced in quantities insufficient to meet the demand because they did not yield as much profit or as high wages as the finer and fancier cloths. The great gap between Lancashire production and world demand in these plainer cloths is clearly apparent from the avidity with which British textile merchants have availed themselves of any opportunity to import Japanese, German, and other grey cloth of standard style to be bleached, printed or dyed here before being re-exported to West and East Africa, the Far East and other overseas markets which absorb these comparatively inexpensive staple lines in bulk.

Further opportunities of conducting this re-export trade in imported unfinished cloth will arise under the new trade agreement between the sterling area countries and Japan, though at the same time Lancashire exporters are likely to meet increased competition in overseas markets from goods exported direct by the Japanese.

In Japanese competition more than any other country's, price will be the important factor and one of the most valuable advantages of the C.M.C. system is the substantial reduction in average wage cost a yard which it permits.

New towns could be built on land which is unsuitable for farming. "Difficult" sites could be made more attractive than garden suburbs

Land Waste in New-town Planning

By Professor L. DUDLEY STAMP, C.B.E.

WE all need a home, and in terms of land use this means allocation of land for houses. I do not intend to enter into the argument of individual houses at a low density (the garden city ideal) versus blocks of flats, but we must face the present position when, as I have said elsewhere, there seems to me to be an obsession with space for its own sake.

For example, we realize that in the demands on land being made for certain of the new towns the concept is of only 10 persons per acre, so that 6,000 acres are being regarded as necessary for 60,000 inhabitants. The question is not entirely whether this is the optimum space standard for housing. It is also a question of whether we, with our special position in Britain, can afford such super-luxury where use of land is concerned.

I find a useful concept that which postulates that the majority of people live in the course of their lives in at least four homes. There is first the parental home in which they pass their childhood and youth. Then the time comes for marriage, and the young married couples start on their strenuous search for a small home of their own—a couple of rooms, a kitchen and a bathroom—very often hoping to secure such as near as possible to the offices in which both of the partners may continue to work. There is an enormous demand for small flats at reasonable rentals for people in this position.

Then comes stage three, with the arrival of the family and the sense of need of more space, for a garden, or at least a yard, and the desire for easier access to the country, and hence for the open type of development which has been mentioned. The fourth stage is when the children have grown up and are off their parents' hands.

The upkeep of even a moderate-sized house, and certainly the continued maintenance of a garden, become burdens rather than pleasures. What then could be more suitable than the two or three-roomed flat, electrically equipped, centrally heated, and held with the knowledge that when one slams the door one can be shut off from the world for four days, for 40 days, and left undisturbed. Surely if we put this concept into practice we should get a more balanced form of urban development and, incidentally, a smaller sacrifice of valuable food-producing land.

In this connexion it is recognized that for the layout and development of a new town, land which can be most easily developed is flat or gently undulating, and well drained. In other words, the demand is likely to fall upon the finest agricultural land for our new towns. Yet when we look at any of our existing old-

From Lecture to Royal Institute of Chartered Surveyors, London, Jan. 2, 1950.

established and attractive towns, if we think of Bath, or Durham, or Tunbridge Wells, or even of such modern development as Bournville, we realize that they are attractive places in which to live largely because the developers have made full use of what would be regarded in these days as difficult, if not impossible, sites.

I contend that we could in this country use with great advantage many tracts of land not of prime importance for agricultural use which afford us in the long run much more attractive towns than we can ever get from the monotonous garden city type of layout or the suburbs which have spread to the west of London over what were once its finest market garden tracts, and which are now dreary, monotonous stretches of new housing.

Social Security in Western Union

New Conventions Signed by Nations of Western Europe

Progress is being made towards similarity of social security schemes in the Brussels Treaty countries: this is an essential condition of European union

Two multilateral conventions, on social security and on social and medical assistance respectively, have been signed by the Foreign Ministers of the five countries party to the Brussels Treaty on economic, social and cultural collaboration and collective self-defence, *viz.*, Belgium, France, Luxembourg, the Netherlands and the United Kingdom. These conventions were drawn up by Committees of the Brussels Treaty Permanent Commission and represent a new stage in collaboration in social matters between the countries of the Western Union.

The five countries of the Western Union are negotiating a series of bilateral agreements which will link the social security schemes of these countries into a network covering such benefits as those provided for sickness, invalidity, old age, death, maternity, industrial injuries and prescribed occupational diseases for their nationals, no matter in which of the countries they may be living, or have lived. Some of these bilateral agreements have already been concluded and others are still being negotiated.

The five countries have now agreed to add to this network a multilateral convention on social security. The effect of this convention will be, firstly, to enable a national of any of the countries to benefit from any of the bilateral agreements reached between them. For example, a British subject who has been insured in France and Belgium can benefit from the bilateral agreement be-

From Ministry of Labour Gazette, London, Dec., 1949.

tween those two countries equally with their own nationals.

Secondly, the new convention will make provision for the case where a national of any of the countries has been insured in three or more of the countries. In such a case, the principle adopted is to apply to him the provisions of all the relevant bilateral agreements. For instance, where a Frenchman has worked in the United Kingdom, France and the Netherlands, his contributions or insurance periods in those three countries will be added together so as to give him pension rights. Each country will calculate the amount of the pension to which the man would have been entitled if his insurance had all been in that country, and will pay him the proportion of that amount corresponding to his actual length of insurance there. If his insurance in a particular country is governed by two different bilateral agreements, then the one which gives the calculation most favourable to him will be applied.

The convention also enables nationals of any of the five countries who go to reside in any one of those countries to take advantage of the provisions of the bilateral agreements which provide for the preservation of acquired rights to benefit. For example, a Luxembourg subject who has worked in Belgium and obtained an old age pension from the Belgian scheme may continue to draw that pension if he goes to live in France.

A man working in one of the five countries may have dependants ordinarily residing in another. Subject to certain rules and exceptions, the convention gives those dependants rights to the medical benefits of the scheme of the country in which they are living. Other points dealt with in the convention concern the treatment of cases where a person has been insured under a special scheme of insurance in a particular country (*e.g.*, miners in Belgium), or where there would otherwise be a double title to maternity benefit (in the United Kingdom, the country where the child is born to pay), or where there are, in a particular country, certain special arrangements about invalidity benefits.

The multilateral convention on social and medical assistance is the outcome of months of exploratory work by officials of the five Governments represented on the joint Public Health-Social Security Sub-Committee of the Brussels Treaty Organization.

Uniform Treatment

The principles of this convention are that each of the five countries undertakes to treat nationals of the other four on the same basis as its own nationals as regards social and medical assistance. For example, an Englishman living in the Netherlands, who is without sufficient resources, will receive the same free hospital treatment as a Dutchman in similar circumstances; or a Frenchman living in Belgium, who is too old to earn his keep, will receive the same assistance as a Belgian in the same situation.

The five countries will not reimburse each other for the cost of any such assistance. Repatriation, solely on the ground that assistance is likely to be long-continued or costly, is not to be resorted to if the person concerned has, for instance, close family ties in the foreign country in which he is living or has resided there for more than five years (10 years if he entered that country after the age of 55) or is not in a fit state to be transported. The convention does not, however, affect the ordinary laws governing repatriation on other grounds.

National and International Plans For Full Employment

Five experts of international repute, present a comprehensive and highly debatable report to the United Nations

THE United Nations have issued a report by a group of five independent experts on national and international measures for full employment. In this printed volume of 103 pages, the experts make five main recommendations relating to domestic aspects of the full employment problem, and three on the international aspects. The domestic measures are shown in the panel opposite.

The group of experts consisted of the following: John Maurice Clark, Professor of Economics at Columbia University, New York City, who worked in association with Arthur Smithies, Professor of Economics at Harvard University, Cambridge, Mass.; Nicholas Kaldor, Fellow of King's College, Cambridge, England; Pierre Uri, Economic and Financial Adviser to the Commissariat General du Plan, Paris, France; E. Ronald Walker, Economic Adviser to the Australian Department of External Affairs (chairman).

The substantive part of their unanimous report is divided into three parts.

PART I. analyses the nature of the full employment obligation undertaken by member Governments in signing the Charter of the United Nations. It also gives a brief account of the economic background against which full employment policies must be considered at the present time. Finally, it suggests a method whereby the term "full employment" can be defined in precise operational terms.

In PART II of the report, the experts analyse the ways in which cyclical fluctuations in economic activity can occur and the manner in which fluctuations that originate in one country tend to be propagated to others. This is followed by a general review of the domestic and international aspects of the full employment problem, thus setting out the considerations leading up to the recommendations.

PART III of the report contains the recommendations of the experts regarding national and international measures to achieve full employment. The experts make five main recommendations for domestic measures, and three main recommendations regarding international measures.

Domestic Measures

THE domestic measures are summarized as follows:

"In order to give better effect to the fulfilment of the full employment obligation assumed by members of the United Nations, we recommend that each government should take early action on the following lines:

"(*i*) It should adopt and announce a full employment target which will define the meaning of full employment in the country concerned in operational terms, and constitute the

From National and International Measures for Full Employment, United Nations, Lake Success, Jan. 15, 1950.

standard to the attainment of which the national employment stabilization measures will be directed.

"(*ii*) It should announce a comprehensive programme for directing its fiscal and monetary policies, its investment and production planning, and its wage and price policies (including anti-monopoly policies) to the continuous achievement of its full employment objective.

"(*iii*) It should adopt and announce an appropriate system of compensatory measures designed to expand effective demand which would be prepared in advance for automatic application in case its general programme for maintaining full employment, indicated above, fails to prevent unemployment from exceeding the level laid down in the full employment target by a predetermined amount for three successive months.

"(*iv*) It should announce the nature of the policies which it will adopt in order to maintain the stability of the price level and to combat inflationary tendencies in a manner consistent with the maintenance of its full employment target.

"(*v*) It should adapt its legislative procedures, its administrative organization and its statistical services, to the implementation of the programme indicated above."

The experts amplify these recommendations in pars. 143-182 of the report; the following are some of the main points which they make:

A. Fixing a Target

In industrialized countries the full employment target should be expressed in terms of the smallest percentage of unemployment of wage earners which the country in question can reasonably hope to maintain in the light of seasonal movements and in the light of structural changes in the economy, which inevitably give rise to some temporary unemployment that could not be eliminated through public policy.

According to the circumstances in each country, this target may be defined as a range (*e.g.*, from 2 to 4 per cent. or from 3 to 5 per cent. of wage earners) rather than as a precise figure, owing to the fact that the unemployment resulting from the above-mentioned causes may not be measured with complete accuracy and may in itself be subject to small variations. In industrially less developed countries, where workers who lose their jobs in industry are absorbed into agricultural pursuits, it may be desirable to define the target in terms of the volume of industrial employment rather than in terms of a percentage of unemployment. In that case the target figure

THE RECOMMENDATIONS

Domestic

1. *Adopt and announce a full employment target.*
2. *Announce a comprehensive programme for the continuing achievement of the full employment objective.*
3. *Adopt and announce a system of compensatory measures in case its general programme for maintaining full employment falls short of the target.*
4. *Announce the nature of policies for stabilizing prices.*
5. *Adapt its legislative and administrative procedures for the implementation of the above programme.*

should be raised year by year in accordance with the growth in industrial capacity.

B. The Continuing Programme

The time is opportune for a review and public restatement by governments of the whole range of measures which they intend to take to promote full employment and to maintain their economies in a stable and prosperous condition.

The experts recognize that the main features of the full employment programme would vary from country to country, both according to the nature of the political and social framework and according to the stage of the economic development of the country concerned. They believe, however, that the objective of full employment can and should be realized, irrespective of the political and social institutions of each country.

The economists give a brief review in pars. 153-164 of the various kinds of measures that predominantly private enterprise economics could adopt as parts of a comprehensive programme, under the headings of:

(*i*) Fiscal policy.

(*ii*) Control of the volume of private investment.

(*iii*) Planning of public investment.

(*iv*) Stimulation of consumption.

(*v*) Domestic aspects of international measures.

(*vi*) Stabilization of incomes of primary producers.

C. Automatic Compensation

While each country's employment stabilization policy should be continually directed towards keeping unemployment from exceeding the limit of the target, they believe that the uncertainties of economic forecasting may weight the scales in favour of inaction rather than action, and that there is a danger that the adoption of positive countermeasures will be delayed until a downward movement in production and employment is well under way.

Counter-measures should be constructed which would automatically come into effect so as to produce an expansion of effective demand whenever unemployment exceeded the range defined in the full employment target by some predetermined amount for three consecutive months. The increase in the unemployment percentage necessary to bring the automatic measures into operation may vary with the circumstances of different countries, but in each country it should be no higher than is necessary to give a clear indication of the presence of a deflationary situation in the economy; and it should be high enough to make it possible for measures for expanding effective demand to be undertaken on a scale sufficiently large to make an immediate substantial impact on the employment situation.

Each country should design its automatic compensatory measures in the light of its own economic structure. In industrially advanced countries the most suitable method would be to make advance legislative provisions for alternative tax schedules, the lower of which could come into operation in circumstances defined in the legislation.

Similarly, social security contributions could be varied and advance legislative authorization could be given for their complete suspension in prescribed circumstances. The experts review certain other measures which could be applied in a similar manner. The requirements of clarity, definiteness, and promptness of operation can normally be satisfied only by reductions in taxes or payments into social

security funds, or the introduction of cash payments such as bonuses or subsidies.

D. Ensuring Stability

The general responsibilities assumed by the government for the maintenance of full employment also enhances the government's general responsibilities for maintaining the stability of the price level. The group draw attention to the conditions under which price inflation might occur at times when full employment was being maintained. They point to the variety of means which governments have at their disposal to combat and check an upward movement in prices. Price increases resulting from factors other than a general excess of demand require selective measures of a direct or indirect nature rather than measures which are the inverse of those taken to stimulate demand.

If there is evidence of a continuous general upward pressure of money wages exceeding substantially the rate of increase of productivity and leading to offsetting price increases, the situation, in the view of the experts, requires such action by the government, jointly with organized labour and employers' associations, as would ensure that any wage increases that may be granted will not result in a general price inflation. It is essential, moreover, that the government should take such action, appropriate to each particular situation, for the preservation of price stability, as will check inflationary tendencies without allowing an increase in unemployment above the limit of the full employment target.

E. Governmental Machinery

Each government should review its organization and procedures with a view to adapting them, where necessary, to facilitate the preparation and execution of the measures recommended. Such modifications will be required, to a varying degree in different countries, within the fields of legislative procedure, administrative organization and statistics. A review is given of the general character of the organization and procedures required, particular stress being laid upon the importance of the early introduction of the necessary legislation. The experts also draw attention to the need for technical assistance by the United Nations and the specialized agencies in helping countries to equip themselves with the necessary governmental machinery and statistical services.

To be concluded

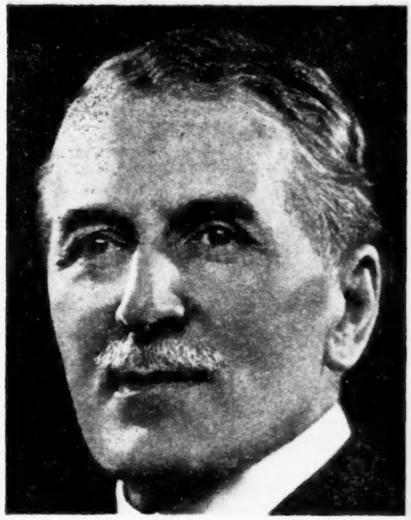
Who Owns Property?

It is sometimes contended that the real evil of income inequality in Britain is the existence of large incomes from inherited property. Unfortunately there is no precise information about the proportion of capital which is inherited, but at most little more than 1 per cent. of personal income would have fallen into this condemned category in 1947—if a large income is defined as one of £2,000 and over. Even in 1938, roughly 98 per cent. would have passed muster. Something like four-fiths of all property income goes to people with gross incomes, part of which will usually be earned of less, than £2,000 a year.

T. Wilson (University College, Oxford) Manchester Guardian, Feb., 13, 1950.

Thinking Internationally About Transport

By Sir H. OSBORNE MANCE, K.B.E., C.B., C.M.G., D.S.O.



If Western Union is to have any meaning, competing systems of national transport will have to be co-ordinated

Up to now every country has considered its own transport problems on the basic assumption of its complete national sovereignty. International agreements have been arrived at only where transport could not function without them or where there have been obvious immediate advantages to all the participating countries. For example, there have been cases of agreements as regards the rates for, or the division of, competitive traffic where the alternative would have been mutually destructive competition. In most matters each country reserved the right to decide its transport policy in its national interest regardless of whether the measures taken to this end were economic from a wider standpoint. But if Western Union means anything it means some pooling of sovereignty. It means that transport, among other questions, will have to be considered in the light of the interest of the wider community. In short, it means co-ordinating the previously competing national transport systems. This is a different question from the co-ordination of the different means of transport, but it will be evident that the international co-ordination of transport systsems will be more difficult if the countries concerned have adopted divergent national policies for the co-ordination of their different means of transport.

All this is delicate ground where it affects the existing strong competition between national transport systems, for example, between ports and transit routes. It is important to remember that even complete political union will not remove much of this competition which is as legitimate as the competition between two ports in the same country. The fundamental difference is that in a unified system any government intervention will be exercised in the economic interest of the whole area, whereas the governments of different foreign countries will not hesitate to render, if necessary, uneconomic assistance to their own transport system for the sake of the direct or indirect national benefits which are expected to result. The ideal of international co-ordination of transport is that international

From Presidential Address, Institute of Transport, London

traffic should pass in the way it would do if the whole of its journey took place in the same state.

It is up to transport people in this country to get to work with some hard thinking and mutual discussions with our European friends to study the practical implications for transport of the various degrees of economic or political association which might eventuate. It may be that transport can give a lead in working out measures which could be applied in gradual stages, starting perhaps from closer co-operation in the present conditions of independent sovereignties, but capable of evolution *pari passu* with closer union. It is evident that as and when transport is organized for the benefit of a larger area there must be freedom of movement of capital and personnel to enable transport undertakings to adjust themselves to the new conditions. This involves abolition of currency restrictions within the area and possibly some unification of the customs régimes and citizenship.

More Farm-to-Market Roads Needed

By R. S. COLQUHOUN

PROBABLY the strongest arguments on the economic side for the construction of low cost roads are contained in the pronouncements of Lord Boyd-Orr, in which he contrasts the world population increase with the rate of increase in food production. On his estimates, the world population will reach 3,000 million by about 1975, which represents a 50 per cent. increase on 1938. World food production has now got back to the level of 1938, but there are now about 250 million more people to be fed. The task with which we are faced is to double our present world food production in the next quarter of a century, and these crops and animal products must all be transported from farm, plantation or range for marketing, grading, processing or storage.

The essential link in the distribution system is the farm-to-market road. Without this facility the cultivator has no incentive to grow more than his family can consume, and it is still largely to the man with the hoe to whom we must look for an increase in the production of food.

Any method which will enable farm-to-market roads to be provided in cultivable areas which now lack them, and any method which will enable existing farm-to-market roads to take greater loads and more frequent traffic without disintegrating, is a step towards that doubling of world food production, on the achievement of which depends the maintenance and improvement of our standards of living.

WORLD ROADS

Country	Area in '000 Square Miles	Population in '000,000	Road Miles in '000	Vehicles in '000
India and Pakistan...	1,528.2	389.3	331.9	235.5
Malaya......	51.5	5.6	6.2	34.6
New Zealand....	104.7	1.8	77.1	293.4
Australia....	2,974.6	7.6	528.2	1060.0
Nyasaland..	37.4	1.7	2.4	2.5
Tanganyika	360.0	5.4	24.4	10.0
Belgian Congo......	922.2	14.3	61.6	20.1
Union of S. Africa...	473.0	11.3	171.7	455.1
Kenya.......	225.0	3.7	16.9	18.4

From address to International Road Federation, London, Jan., 1950.

DIGEST Book Review

Five Lectures on Economic Problems

By GEORGE J. STIGLER

THIS book* reproduces the lectures delivered by Professor J. Stigler, of Columbia University, New York, before the London School of Economics.

The first lecture, "The Economists and Equality," falls into three parts. He begins with the classical economists. From Adam Smith to Alfred Marshall, greater equality of income was an objective, but it was one of the lesser objectives, of good social policy. The struggle of men for larger incomes was good because in the process they learned independence, self-reliance, self-discipline—because, in short, they became better men.

"The modern economist justifies the greater urgency of his desire for more equality of income by one or more of three lines of argument. The oldest is utilitarian: as a consequence of diminishing marginal utility of income, a given aggregate income yields most satisfaction when it is equally distributed. The newest is Keynesian: the more equal the distribution of income, the higher the level of output and employment. The most important is that everyone wants more equality.

"If it were a matter only of choosing between the classical goal of improvement of the individual and the modern goals of greater equality, maximum output, full employment, and the like, the discussion would have to stop at this point. Each person would make the choice for himself, and that would be the end of the matter. But this is not quite the case.

"The modern goals are much more in the nature of means than of ends. Their very multiplicity indicates this: if equality and maximum output were ultimate and independent goals, for example, it would be quite impossible to engage in sensible discussions of policy. The lover of equality would dismiss every policy inimical to his goal; the lover of maximum output would act similarly; and there would be no basis for an agreement between them. No individual who sought both goals would know how to compromise between them if, as is almost always true, a given policy is not equally suited to achieve both goals. Implicitly this individual must be able to estimate the relative importance of various goals—to say whether a large move toward equality is well worth a large or a small decrease in output. In other words, he must have some more fundamental goal.

"The classical goal is ambiguous, indeed it is deliberately ambiguous. It emphasizes the absolute primacy of the integrity of the individual, but its adherents recognize the great influence that the form of social organization exercises over its members. There is not and cannot be agreement on the precise character of man we seek to achieve (although there is wide agreement on characteristics we wish to avoid), and we

* *Five Lectures on Economic Problems, by George J. Stigler, London School of Economics and Longmans, Green and Co., London and New York, 7/6.*

are not certain of the precise effects of a given type of society on its members.

"But we are persuaded that an economic system will not help us to move in the right direction unless it grants both opportunity and responsibility to the individual: the very uncertainty of our ultimate ethical goals dictates a wide area of individual self-determination. We are not able to supply a blueprint of the ideal life, but we are persuaded that even if it were known it would be ideal only for the person who individually and knowingly and voluntarily accepted it. It is not necessary, however, to know what is best; it is enough to know what is better.

Output and Monopoly

"Let us consider first the goal of maximum output. The liberal goal really suggests the desirability of rising output, so the gains of one individual are not necessarily the losses of another, but for most purposes this is equivalent to maximizing output, and therefore maximum output is a good proximate goal. But its proximate nature must be kept in mind. It has been used to justify attacks on private monopolies, for such monopolies occasion a misallocation of resources and therefore reduce national income. Often it has been proposed that such monopolies be nationalized to avoid this misdirection of resources.

"This proposal is indeed germane if one wishes only to maximize output; it is less attractive in light of the fundamental liberal goal. A monopoly is bad also because it restricts the area within which excluded individuals may exercise their talents and their ambitions, and because it generates an inequality of wealth that indirectly creates another generation of privileged persons. If the monopoly is transferred to public ownership, one monopolist is succeeded by another. On this view, a trust-busting policy is to be supported even if it entails substantial diseconomies of small size, as is constantly averred and never demonstrated.

"Or again, the restriction of educational opportunities is often measured by the excess of earnings in the professions over the amounts necessary to reimburse the cost of training, and it is implied that the goal will be achieved when extra earnings in the professions just compensate the extra costs. This view is proper if one wishes to maximize output, and it is a highly useful immediate goal in any event. But surely this rule provides a lower limit on the ideal amount of education if one returns to the liberal goal. How much greater the provision of education should be depends upon the effects of financing larger programmes on those who are bearing the costs. Were these effects negligible, I should argue that education should be expanded to the point where no one could learn more by attending school than by entering employment.

"Let us turn now to the goal of greater equality. The liberal goal is unattainable in the presence of great and permanent inequalities, and it is also unattainable in the presence of permanent equality. On the liberal philosophy, it is necessary that all contestants begin the race at the same point, but it is fatal to require that they reach the finish line simultaneously. There is only one resource in reconciling these desiderata: time. And a society should use time lavishly, for it is the one thing of which it possesses more than its individual members.

"Yet even in this difficult terrain the liberal goal is more illuminating

than the proximate goal of greater equality of income. It suggests that we seek more to start the contestants at the same point, rather than to reduce handicaps at each 12-month interval. The policy of ignoring inequalities of resources and battling vigorously against inequalities of income is a wanton subsidy to psychiatrists. Our concern should be much more with the ownership of resources that leads to the wide differences in income. We should seek to make labour incomes more equal by enlarged educational systems, improvements of labour mobility, elimination of labour monopolies, provision of medical care for poor children, and the like. We should seek to make property incomes more equal (and smaller) by elimination of monopoly and by extremely heavy taxation of inheritances.

Equal Goals

"Maximum output and greater equality are on an equal footing as proximate goals, and neither has content except as part of a philosophical system. Ricardo is as much to be censured for his preoccupation with maximum output as certain modern economists for their preoccupation with equality. And yet there is political wisdom in maximum output that is not in greater equality. I shall allow de Tocqueville to explain why:

"The hatred that men bear to privilege increases in proportion as privileges become fewer and less considerable, so that democratic passions would seem to burn most fiercely just when they have least fuel . . . . When all conditions are unequal, no inequality is so great as to offend the eye, whereas the slightest dissimilarity is odious in the midst of general uniformity; the more complete this uniformity is, the more insupportable the sight of such a difference becomes. Hence it is natural that the love of equality should constantly increase together with the equality itself, and that it should grow by what it feeds on.

"This never-dying, ever-kindling hatred which sets a democratic people against the smallest privileges is peculiarly favourable to the gradual concentration of all political rights in the hands of the representatives of the state alone. The sovereign, being necessarily and incontestably above all the citizens, does not excite their envy, and each of them thinks that he strips his equals of the prerogative that he concedes to the crown. The man of a democratic age is extremely reluctant to obey his neighbour, who is his equal; he refuses to acknowledge superior ability in such a person; he mistrusts his justice and is jealous of his power; he fears and despises him: and he loves continually to remind him of the common dependence in which both of them stand to the same master.

"Every central power, which follows its natural tendencies, courts and encourages the principle of equality; for equality singularly facilitates, extends, and secures the influence of a central power.

"In like manner it may be said that every central government worships uniformity; uniformity relieves it from inquiry into an infinity of details, which must be attended to if rules have to be adapted to different men, instead of indiscriminately subjecting all men to the same rule. Thus the government likes what the citizens like, and naturally hates what they hate."

The other four lectures are of a less general interest. In discussing competition in the United States it is noteworthy that Professor Stigler takes the view that competition is increasing, not decreasing.

Shorter Book Notices

THE PATTERN AND FINANCE OF FOREIGN TRADE

(*Europa Publications, Ltd., London,* 15/-)

This book is made up of the twelve lectures given at the Institute of Bankers' International Summer School, Oxford, last Sept. It maintains the high standard set by a similar volume a year earlier. Authors include: Sir Hubert Henderson, Harold Wilson, M.P., Paul Bareau, W. Manning Dacey, M. G. Kendall and R. G. Hawtrey.

YOUR LOCAL AUTHORITY

Charles Barratt (*Pitman, London,* 15/-)

The second edition (after three years) of a most readable and comprehensive book. The author has expert knowledge and enthusiasm in imparting it. He believes that local government has reached a condition of crisis, that its good health is critically important to the good health of democracy, and that public enlightenment on what to most people is a dark subject, is a worth-while service. Every reader will agree with him.

SIX CENTURIES OF WORK AND WAGES

Thorold Rogers (*George Allen and Unwin, Ltd., London,* 16/-)

Professor G. D. H. Cole contributes a preface to this, the sixteenth edition of a fascinating work which thus continues to hold public attention after a life of sixty-six years. Professor Cole invents an apt phrase to indicate its place—" something of an Old Testament to the rising generation of Labour."

THE ITALIAN LEFT

W. Hilton Young (*Longmans, Green and Co., London and New York,* 15/-)

The sub-title is " A short history of political Socialism in Italy." On the economics side the emphasis falls inevitably on Italy's persistent problem of over-population. The story of Einaudi's rise to power, and the effectiveness of his bold deflationary measures, is well told.

SOVIET GENETICS AND WORLD SCIENCE

Julian Huxley (*Chatto and Windus, London,* 8/6)

Is Lysenko the most important biologist in the world, or a jumped-up blunderer? If his claims should be well-founded their value to Soviet economy would be considerable. Professor Huxley is profoundly sceptical about the claims, but brings to bear a coolly scientific mind on claims that are a long way from scientific in presentation. It is hard to believe that Soviet research is not desperately handicapped by the religious fanaticism that seems to govern it.

H.M. STATIONERY OFFICE PUBLICATIONS

The contents of the Annual Abstract of Statistics, 1938-1948 (12/6) and Ministry of Labour and National Service Report for 1948 (3/-) are indicated by their titles. Textiles and Their Testing (6/-) is the fourth of the Selected Government Research Reports. It is a strictly technical treatise.

LIBERAL CANDIDATES' AND SPEAKERS' HANDBOOK

(*Liberal Party, London,* 5/-)

One advantage of a General Election is that it inspires the publication of speakers' handbooks which are, for others, useful and inexpensive books of reference. This is true of the Liberal publication, and indeed also of those issued by the other parties.

ARABS, OIL AND HISTORY

Kermit Roosevelt (Victor Gollancz, Ltd., London, 15/-)

The author, a grandson of President Theodore Roosevelt, gives an account of his experiences in the Middle East. The book is written in the easy style of American journalism, but contains a lot of interesting information. It is an American's point of view, with which British readers will not always agree, but which is useful for them to know. Special emphasis is laid on the Russian danger to the Middle East.

ARAB REFUGEES

S. G. Thicknesse (Royal Institute of International Affairs, London, 5/-)

A very thorough study of the problem and a survey of re-settlement possibilities. Something like three-quarters of a million human souls are involved, and the cost of resettling them is estimated at not less than £56 million. Large sums of capital investment would also be necessary after re-settlement. But the task is practicable.

EXPERIMENT IN ANARCHY

R. M. Graves (Victor Gollancz, Ltd., London, 15/-)

Mr. R. M. Graves, who was Mayor of Jerusalem during the critical period from the summer of 1947 to the departure of the British in the spring of 1948, publishes here the diary which he kept during his term of office. The diary forms the main part of the book ; it is preceded by a picture of the town and its life, and followed by a political appraisal of the situation in Palestine. The diary is a fascinating document for students of world affairs. What is more, the author is able to do justice to both the Zionist and the Arab case ; this makes his account particularly valuable.

VOLKSWIRTSCHAFTLICHE THEORIE DER LIQUIDITAT

Otto Veit (Vittorio Klostermann, Frankfurta, DM 8.50)

The author is a banker and economist who is known to our readers through his article " Unified Currency for Europe " (*Economic Digest, Oct.*, 1949). His book is the first attempt to give a general theory of " liquidity," and it shows that he is strongly influenced by Keynes. At the same time it is clear that he thinks the concept of " liquidity " is not restricted to theory of money, for he links this theory with general economic theory. It is impossible to follow up Veit's argument within a short space, but the book should prove of interest to all students of economic theory.

GROWING UP INTO REVOLUTION

Margaret Cole (Longmans, Green and Co., London, 15/-)

This very readable autobiography records the reactions of a convinced Fabian to changing phases of Labour policy in different periods. Mrs. Cole is not sparing of criticism, even severe criticism, of either policy or leaders ; in some respects her views might be described as " deviationist." Her account of a three weeks' tour of Russia in 1932, and of a visit to America after the war shows that she can keep an open mind and exercise an independent judgment which suffers from few illusions.

Worth Reading—

Demand for Commodities is NOT Demand for Labour. H. G. JOHNSON, *Economic Journal, London, Dec.*, 1949. Title is a quotation of Mill's fourth proposition regarding capital, which is here defended against Pigou and others.

Five Economic Surveys. E. A. G. ROBINSON, *Economic Journal, London, Dec.*, 1949. Three reports on Europe—Economic Commission for Europe, Organisation for European Economic Co-operation, Bank for International Settlements, World Economic Report, and Economic Survey of Asia and the Far East of United Nations—are surveyed as a complementary group.

Marketing of Meats and Livestock in U.S.A. E. BORGIOLI, *Rivista di Economia Agraira, Rome, No.* 2, 1949.

Western Australia, Its Resources and Development. *Monthly Summary of National Bank of Australasia, Melbourne, Dec.* 15, 1949.

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